

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of SOUTHERN CALIFORNIA GAS COMPANY for authority to update its gas revenue requirement and base rates. (U 904 G)

Application 02-12-027  
(Filed December 20, 2002)

Application of SAN DIEGO GAS & ELECTRIC COMPANY for authority to update its gas and electric revenue requirement and base rates. (U 902-M)

Application 02-12-028  
(Filed December 20, 2002)

Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service and Facilities of Southern California Gas Company and San Diego Gas & Electric Company.

Investigation 03-03-016  
(Filed March 13, 2003)

**ADMINISTRATIVE LAW JUDGE'S RULING SETTING A PROCEDURAL SCHEDULE FOR PHASE 2 ON INCENTIVES AND ATTRITION**

**Background**

On May 22, 2003 a *Ruling Clarifying the Scoping Memo and Modifying the Schedule*<sup>1</sup> was issued in Applications (A.) 02-12-207 and A.02-12-028 that bifurcated to Phase 1 the adoption of a Test Year 2004 Revenue requirement for Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) and left all remaining issues to a residual Phase 2. By this

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<sup>1</sup> This ruling clarified the April 2, 2003 *Assigned Commissioner's Ruling Establishing Scope, Schedule and Procedures for Proceeding* for A.02-12-027 and A.02-12-028.

ruling the parties are advised of the scope of issues to be addressed and the schedule that will apply to Phase 2.

### **Scope**

Because the proceeding has been bifurcated, the parties have not addressed the following issues:

#### **Post Test Year 2004 Operational Attrition**

1. Adoption or modification of an annual adjustment to the proposed “margin per customer” providing a mechanism to reflect operational attrition subsequent to the Test Year.
2. Duration of any attrition adjustment mechanism – unless a Commission decision in Phase 1 addresses the date for a subsequent general rate case type proceeding for SoCalGas and SDG&E.
3. Compliance with Pub. Util. Code § 739.10 that requires the Commission “ensure that errors in estimates of demand elasticity or sales do not result in material over or undercollections of the electrical corporations.”

#### **Performance Indicators and Incentives**

1. Determination of whether any financial incentives are warranted to ensure SoCalGas and SDG&E provide safe, reliable, and adequate service to customers.
2. Adoption, modification or rejection of the proposed annual “performance indicators” and related financial incentives if any incentives are justified.
3. Application of any mechanism to Test Year 2004 and subsequent years.

SoCalGas and SDG&E shall serve the updates related to Post Test Year 2004 operational attrition and any updated operating and/or financial data for performance indicators by the date specified in the schedule. Parties are put

on notice that discovery will be limited and all requests should be submitted as soon as possible in accordance with the discovery deadlines specified in this ruling.

The Office of Ratepayer Advocates (ORA) testimony shall be served two weeks before all other intervenors serve any testimony and applicants shall have a short period for discovery to prepare any rebuttal testimony. We expect ORA and others to specifically address as a fundamental question whether or not any form of additional performance incentives are of any value to ratepayers. This analysis should be independent of the analysis of detailed workings and possible alternatives to SoCalGas and SDG&E's specific incentive proposals.

We also expect ORA and others to specifically address the appropriateness of a "margin-per-customer" attrition mechanism compared to any other form of operational attrition adjustment mechanisms in addition to any analysis of the details of the SoCalGas and SDG&E's proposal.

### **Schedule**

The schedule shown below is designed to allow parties a reasonable time to prepare their positions. Applicants requested an opportunity to update; however the Scoping Memo and Clarifying Ruling already directed SoCalGas and SDG&E to supplement their policy-related incentive testimony. We will only allow applicants time to update their operating and financial data and we will not allow further supplemental prepared testimony to explain or justify the request for incentives. This limitation does not apply to the attrition mechanism, margin-per-customer proposal. At the time SoCalGas and SDG&E serve any updates they should also indicate to parties which pre-served exhibits are still applicable to Phase 2. All parties should pre-number any proposed exhibits using the next numbers in order from Phase 1. In order to facilitate discovery and

avoid a repeat of the types of discovery-related problems experienced in Phase 1, this ruling specifies definitive limits on the time to conduct and respond to discovery, and sets final dates for parties to make requests for discovery including the discovery on rebuttal.

<b>Action</b>	<b>Date</b>	<b>Interval</b>
Sempra Recorded Data Up-date	January 16, 2004	4 weeks
Prehearing Conference No. 4	February 3, 2004	
Last Day for Discovery Requests	February 13	4 weeks
Last Day for Discovery Responses	February 27	2 weeks
ORA Serves Testimony	March 12	2 weeks
Intervenors Serve Testimony	March 26	2 weeks
Last Rebuttal Discovery Request	April 2	1 week
Last Rebuttal Discovery Response	April 9	1 week
Serve Rebuttal Testimony	April 23	2 weeks
Evidentiary Hearings	May 10 – May 21	10-days
Opening Briefs	June 11	3 weeks
Reply Briefs	June 25	2 weeks
Mail Draft Decision (target)	August 27	8 weeks
Comments		1 month

**IT IS RULED that:**

1. Parties are directed to serve testimony addressing post-test year 2004 attrition in response to Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company's (SDG&E) proposed margin-per-customer mechanism.
2. Parties are directed to serve testimony addressing the need for performance indicators and financial incentives in response to SoCalGas and

SDG&E's proposals and the application of any such mechanism to Test Year 2004 and subsequent years.

3. Parties shall follow the schedule specified in this Ruling.

4. Parties shall pre-number the exhibits using the next in-order pre-assigned numbers from Phase 1.

5. All parties should also provide to the assigned Administrative Law Judge two hard copies of any documents served in accordance with this ruling within two business days, in addition to electronic service under the electronic service protocols adopted for this proceeding.

6. Parties who have electronic mail addresses on file with the Commission will not be served a hard copy of this ruling, consistent with the electronic service protocols adopted for this proceeding; all parties without an electronic mail addresses will be served a hard copy via U.S. mail.

Dated December 22, 2003, at San Francisco, California.

/s/ DOUGLAS M. LONG by  
LYNN T. CAREW

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Douglas M. Long  
Administrative Law Judge

**CERTIFICATE OF SERVICE**

I certify that I have this day served a true copy of the original attached Administrative Law Judge's on all parties of record in this proceeding or their attorneys of record. Under the electronic service protocols adopted for this proceeding, all parties with an electronic mail address will be served via electronic mail only; all parties without an electronic mail address will be served a hard copy via U.S. mail.

Dated December 22, 2003, at San Francisco, California.

/s/ JANET V. ALVIAR

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Janet V. Alviar

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.